

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig
Climate Change, Environment and Rural Affairs Committee
Ymchwiliad i Dlodi Tanwydd | Inquiry into Fuel Poverty
FP 17

Ymateb gan : Sefydliad Bevan
Evidence from : Bevan Foundation

Introduction

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality by working with people to find effective solutions and by inspiring governments, organisations and communities to take action. We are grateful for the opportunity to respond to the Climate Change, Environment and Rural Affairs Committee's call for evidence to support its inquiry into fuel poverty. Our extensive work on poverty and inequality provides us with some insights into the difficulties faced by those living in low income households, including fuel poverty. Our response draws on this experience, and is divided into five sections reflective of the committee's main areas of interest:

- the scale and impacts of fuel poverty in Wales;
- why the Welsh Government failed to meet its statutory target of eradicating fuel poverty in Wales by 2018;
- how Welsh Government action to date has helped to combat fuel poverty, in particular, the impact of the Warm Homes Programme (including Nest and Arbed) and the Welsh Housing Quality Standard
- how the Welsh Government's successor to the fuel poverty strategy (due for consultation in Autumn 2019) should differ from its 2010 strategy;
- what steps the Welsh Government should take to ensure that new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future.

The scale and impact of fuel poverty in Wales

The Bevan Foundation believes that the Welsh Government's current approach to measuring fuel poverty means that we are unable to accurately examine the scale and impact of the problem. Under the Welsh Government's

Fuel Poverty Strategy 2010 a household is said to be living in fuel poverty if 10 per cent or more of household income is spent on household fuels to maintain a satisfactory heating regime.¹ If 20 per cent or more of household income is spent on household fuels a household is said to live in severe fuel poverty.²

The weaknesses of this approach were set out by John Hills in his review of Fuel Poverty in England in 2012.³ One of the weakness identified by Hills is that measuring fuel poverty purely as a percentage of a household's income could lead to some middle to high income households being classified as living in fuel poverty.⁴ A higher income household which lives in a large dwelling could have significant household fuel bills that amount to over 10 per cent of their income. If these households' incomes were high enough to afford a good standard of living after covering fuel costs, however, it seems inaccurate to describe these households as living in a form of poverty. Of the 155,000 households living in fuel poverty in Wales, 21,000 live in the richest 70 percent of households, over 10 percent of the total number of households said to live in fuel poverty.⁵

In response to this and other weaknesses the UK Government has adopted a different model when measuring fuel poverty in England,⁶ with the Scottish Government also adopting a new measure through the enactment of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019.⁷ Whilst both measures are slightly different both are based on the idea of 'residual income'.

¹ Welsh Government, *Fuel Poverty Strategy 2010* (July 2010) – available at - <https://gwedhill.gov.wales/docs/desh/publications/100723fuelpovertystrategyen.pdf>

² *ibid*

³ John Hills, *Getting the measure of fuel poverty, Final Report of the Fuel Poverty Review*, (Department of Energy and Climate Change (DECC), CASE report 72, March 2012) available at - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48297/4662-getting-measure-fuel-pov-final-hills-rpt.pdf

⁴ *ibid*

⁵ Statistics for Wales, *Fuel Poverty Estimates for Wales: 2018*, (29 August 2019, SB 34/2019) available at - <https://gov.wales/sites/default/files/statistics-and-research/2019-09/fuel-poverty-estimates-wales-2018-020.pdf>

⁶ Department for Business, Energy and Industrial Strategy, *Annual Fuel Poverty Statistics in England, 2019 (2017 data)*, (June 2019) available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829006/Annual_Fuel_Poverty_Statistics_Report_2019_2017_data.pdf

⁷ Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 s3 and s4

The ‘residual income’ method of measuring fuel poverty treats fuel costs as an essential outgoing that is deducted from a household’s net income, just like housing costs are currently deducted when measuring poverty. The measure then calculates the household’s residual income to compare it with the rest of the population. If this income is not sufficient to provide the household with a decent standard of living, they are said to live in fuel poverty. We believe that such a model is superior to the approach currently used in Wales as it focuses with greater clarity on poverty itself rather than on homes that are expensive to heat. This distinction has practical consequences.

The Scottish Government, for example, has found that when measuring fuel poverty using the ‘residual income’ approach compared to their old approach (the one currently used in Wales), extreme fuel poverty is higher, despite the fact that the overall number of households which are said to live in fuel poverty is not greatly different.⁸ Furthermore it found that the old measure overestimates the prevalence of fuel poverty in rural areas, older households and in both detached and semi-detached dwellings.⁹ On the other hand it found that the old measure underestimates the extent of fuel poverty for those living in ‘other households’ (households where all adults are under 65 with no children), the social and private rented sector, urban areas and the dwellings with the most efficient EPC bands.¹⁰ Having this information allows the Scottish Government to better target its resources when seeking to solve fuel poverty at those households most in need.

We are therefore concerned that the Welsh Government’s current approach to measuring fuel poverty means that it does not have an accurate understanding of its prevalence in Wales and that it may be spending its resources assisting households living in expensive to heat homes as opposed to assisting those in poverty. This concern is further deepened

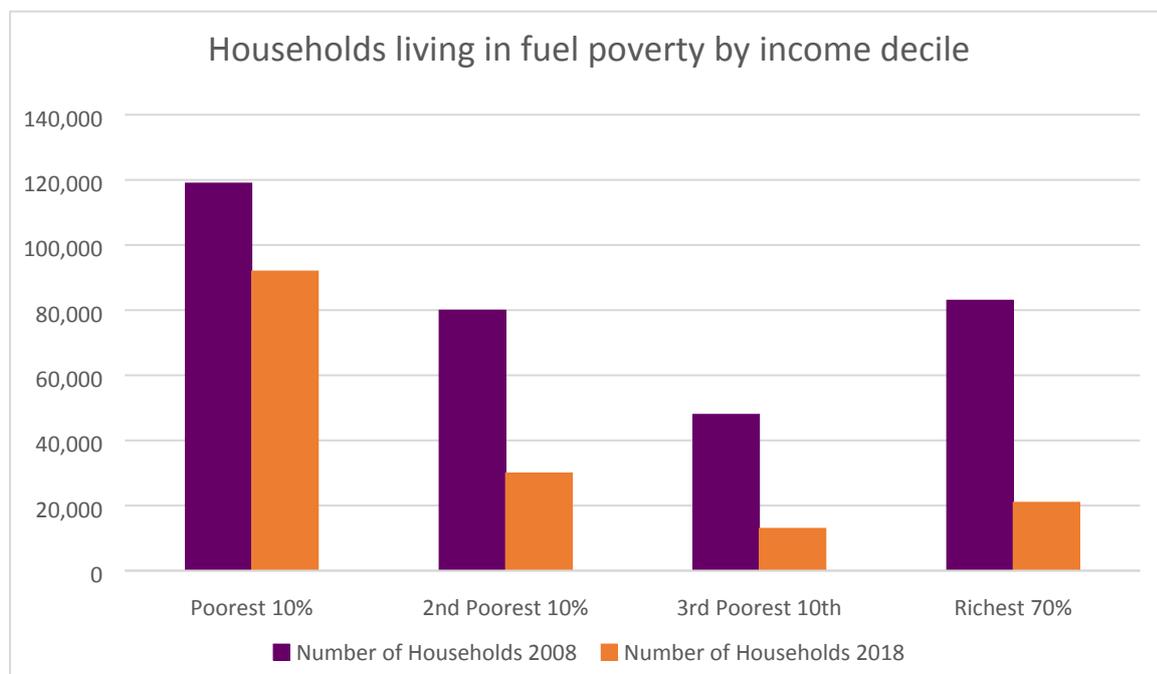
⁸ Scottish Government, *Latest estimates of Fuel Poverty and Extreme Fuel Poverty under the proposed new definition – following Stage 2 of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill* (May 2019) available at - <https://www.gov.scot/publications/latest-estimates-fuel-poverty-extreme-fuel-poverty-under-proposed-new-definition-following-stage-2-fuel-poverty-targets-definition-strategy-scotland-bill/pages/2/>

⁹ *ibid*

¹⁰ *ibid*

when exploring the most recently available data on the progress that the Welsh Government has made in reducing fuel poverty.

The number of households living in fuel poverty has more than halved, since 2008, with 12 percent of households estimated to be living in fuel poverty in 2018.¹¹ This reduction has not affected everyone in Wales uniformly, however. When breaking down the number of people living in fuel poverty by income deciles an interesting picture emerges with regards to where the reduction in fuel poverty has come from. In 2008, of the 70 percent richest households, 83,048 were estimated to live in fuel poverty.¹² By 2018 that number was 75 percent lower, with 21,000 households living in fuel poverty.¹³ For the bottom tenth however, the number of people living in fuel poverty had only dropped by 25%, from 119,000 to 92,000 households.¹⁴



Source: Statistics for Wales, Fuel Poverty Estimates for Wales: 2018, (29 August 2019, SB 34/2019) and Local Government Data Unit Wales, Living in Wales 2008 – Fuel Poverty Statistics, (2008)

¹¹ Auditor General for Wales, *Fuel Poverty*, (Wales Audit Office, October 2019) available at - <https://www.audit.wales/publication/fuel-poverty>

¹² Local Government Data Unit Wales, *Living in Wales 2008 – Fuel Poverty Statistics*, (2008) available at - <https://gov.wales/sites/default/files/statistics-and-research/2019-05/living-in-wales-survey-2008-fuel-poverty-statistics.pdf>

¹³ Statistics for Wales n(5)

¹⁴ *ibid*

In its latest statistical release on fuel poverty the Welsh Government also does look at the number of households that live in fuel poverty using the Low Income High Costs model as is used in England. Using this model, they found that the number of households living in fuel poverty was actually lower at 132,000, equivalent to 10 per cent of all households.¹⁵ No further analysis was undertaken as to which households were living in fuel poverty under this approach.

We believe that the Welsh Government should adopt a 'residual income' measure of fuel poverty to ensure that the focus of its new fuel poverty strategy is more clearly on poverty.

Why the Welsh Government failed to meet its statutory target of eradicating fuel poverty in Wales by 2018

As noted, the Welsh Government has made some progress in reducing fuel poverty over the past decade. In 2008, 332,000 households in Wales were estimated to be fuel poor equivalent to 26 per cent of all households,¹⁶ compared with 155,000 households in 2018, 12 per cent of all households.¹⁷ Despite this progress the Welsh Government is not close to achieving its objective of eradicating fuel poverty. There are multiple reasons for this.

First, we believe that the Welsh Government's target to eradicate fuel poverty by 2018 was set without sufficient consideration as to how achievable it was and without clear enough consideration of what would need to happen for this to be achieved. To achieve its target, we believe that the Welsh Government needed to have a clearer focus in its activities, and that it needed to invest in solutions at a greater scale. For example, to eradicate fuel poverty in a decade the Welsh Government needed to assist approximately 33,000 households a year out of fuel poverty. Between 2010 and 2019 a total of 55,056 households – i.e. equivalent to 6,000 households a year – received home energy efficiency improvements through NEST and

¹⁵ *ibid*

¹⁶ Auditor General n(11)

¹⁷ *ibid*

ARBED as part of the Welsh Government's Warm Homes Programme.¹⁸ This was just 20 percent of the number needed.

Second, the Welsh Government's approach did not focus sufficiently on all the drivers of fuel poverty. There are three primary drivers of fuel poverty:

- Low income
- High energy costs
- Energy inefficient homes.

We believe that the Welsh Government's strategy focused too heavily on the third driver. Whilst the Welsh Government's 2010 Fuel Poverty Strategy did include steps such as the promotion of better coordination of advice services to boost household income with 129,506 receiving some form of advice through Nest,¹⁹ much of the Welsh Government's investment has been targeted at boosting energy efficiency,²⁰ through the Warm Homes Programme. Whilst improving energy efficiency can have a positive impact on the costs faced by households and has clear environmental benefits, it does not, as of itself, remove the risk of fuel poverty. In Scotland for example, 13 per cent of household living in the most energy efficient dwellings under the old measure, and 20 per cent under the new measure live in fuel poverty.²¹ The fact that one in five of the most energy efficient households in Scotland live in fuel poverty highlights the crucial roles that low income and high energy cost have in driving fuel poverty.

In most energy efficient dwellings, households are still faced with energy bills. If fuel prices are high, using relatively small amounts of fuel can still push families on very low incomes into fuel poverty. A person aged over 25, for example receives £73.10 a week through JSA. To avoid living in fuel poverty their fuel bills will need to be less than £7.50 a week, a cost offered by only ultra-energy efficient homes. With limited powers to address the two other drivers of fuel poverty the Welsh Government's ambition of ending fuel poverty was therefore always likely to be challenging.

¹⁸ *ibid*

¹⁹ *ibid*

²⁰ Welsh Government n(1)

²¹ Scottish Government n(8)

Thirdly, data was not gathered regularly enough. The most recent publicly available data was published in May 2019 setting out the data for 2018.²² Prior to the publication of that data, no estimates on fuel poverty had been published since 2016, which were the first estimates published since 2012.²³ This meant that the Welsh Government had very limited data on how successful or otherwise its policies were in ending fuel poverty. Furthermore, the Wales Audit Office found that whilst the Welsh Government did gather data on how effective the Warm Homes Programme had been in improving energy efficiency, there were no routine checks on whether people were in fuel poverty before the intervention and how many were in poverty after.²⁴ On top of this, as was outlined in the previous section, we have concerns that the measure of fuel poverty used in Wales means that the data gathered by the Welsh Government does not paint an accurate picture of fuel poverty, limiting the effectiveness of its work.

How Welsh Government action to date has helped to combat fuel poverty, in particular, the impact of the Warm Homes Programme (including Nest and Arbed) and the Welsh Housing Quality Standard

As stated above we believe that the Welsh Government's actions to date have focused too heavily on increasing energy efficiency as the solution to poverty. There is a need for the Welsh Government to consider how it can also boost incomes and reduce fuel costs if it is to eradicate fuel poverty. We acknowledge that the Warm Homes Programme has had a positive impact in boosting energy efficiency in households across Wales, as is clearly demonstrated in the most recent annual data,²⁵ as discussed above however, the Wales Audit Office has highlighted that there is a lack of data to demonstrate what impact this investment has had in reducing poverty. Furthermore, as we demonstrated on page 3 of this response, the Welsh Government seems to have had more success in reducing fuel poverty in

²² Statistics for Wales n(5)

²³ Welsh Government, *The Production of Estimated Levels of Fuel Poverty in Wales: 2012-2016*, (Social Research Number: 40/2016, July 2019) – available at – <https://gov.wales/sites/default/files/statistics-and-research/2018-12/160711-production-estimated-levels-fuel-poverty-wales-2012-2016-en.pdf>

²⁴ Auditor General n(11)

²⁵ Arbed am Byth, *Annual Report 2018/19*, (2019) – available at – http://www.arbedambyth.wales/annual-reports/Arbed_Annual_Report_2018-19.pdf; and Nest, *Nest Annual Report 2018/19*, (2019) – available at – <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-2019-engli-5d3ac3dfd5d07.pdf>

higher income households than in lower income households, there is therefore clear scope for the Welsh Government to improve how the programme assists families trapped in poverty.

Arbed has had success in improving energy efficiency. We believe, however, that there is a need to examine whether the households in greatest need of assistance are receiving support through the programme. Given that Arbed is targeted in geographical areas where there is a high prevalence of fuel poverty it is likely that many households living in fuel poverty have received support, but there is a lack of data to ensure that this is the case.

Furthermore, the Wales Audit Office found that Arbed's budget has been underspent in recent years²⁶ raising further questions about how effective the scheme is in reaching those that would benefit most from support. As stated above, we believe that there is a need for the Welsh Government to amend its measure of fuel poverty to provide greater weight to household income. If the Welsh Government adopted this approach, we believe it should then re-evaluate Arbed to ensure that sufficient support is being provided to those households at greatest risk of fuel poverty, as opposed to simply improving energy efficiency in households in a way that is having a limited impact on fuel poverty.

Nest provides more targeted support to low income households facing fuel poverty. We believe that there is a need to monitor the performance of Nest for two reasons. First, we believe that there is a need to ensure that no family living in poverty is locked out from receiving support under Nest due to failing to meet its eligibility criteria. To receive support through Nest a household must own or privately rent their dwelling and be in receipt of one of a series of means tested benefits, Universal Credit, or be in ill health and on low income. In the case of a private rental sector tenant, a tenant must get the consent of their landlord and their landlord must satisfy further criteria. With over half of families living poverty in Wales living in households where at least one adult is in work,²⁷ there is a risk that there are some low-income families missing out on support as they are arbitrarily excluded.

²⁶ Auditor General n(11)

²⁷ Stats Wales, *Children in relative income poverty by economic status of household*, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social->

Second, enquiries for support through Nest remains low in many local authorities. Whilst 10 per cent of households in Carmarthenshire and Rhondda Cynon Taf have enquired about their eligibility for support under Nest, only 1 per cent of households in Monmouthshire have made such an enquiry, whilst the percentage increase to 2 per cent in Merthyr Tydfil, Torfaen, Vale of Glamorgan and Wrexham.²⁸ Given the Welsh Government's own data suggests that 12 per cent of households in Wales are in fuel poverty there is a need to substantially increase the percentage of households engaging with the programme if we are to reduce fuel poverty.

How the Welsh Government's successor to the fuel poverty strategy (due for consultation in Autumn 2019) should differ from its 2010 strategy

As we have stated we believe that the Welsh Government's successor to the fuel poverty strategy should have a definition of fuel poverty that has a clearer focus on poverty itself by adopting a 'residual income' measure of fuel poverty.

We also believe that the Welsh Government should examine whether they have all the relevant tools to eradicate fuel poverty. As noted, one of the issues with the Welsh Government's 2010 strategy was that it did not sufficiently seek solutions to all three causes of fuel poverty, focusing primarily on boosting energy efficiency. The focus on energy efficiency in the previous strategy was natural given the very limited powers that the Welsh Government have in relation to boosting low incomes and reducing energy prices. We therefore believe that the Welsh Government should explore whether powers over the Winter Fuel Allowance should be devolved to Wales, to provide it with more levers to solve fuel poverty.

[Inclusion/Poverty/childreninrelativeincomepoverty-by-economicstatusofhousehold](https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/childreninrelativeincomepoverty-by-economicstatusofhousehold); and Stats Wales, *Working age adults in relative income poverty by economic status of household*, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/workingageadultsinrelativeincomepoverty-by-economicstatusofhousehold>; and Stats Wales, *Pensioners in relative income poverty by tenure type*, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/pensionersinrelativeincomepoverty-by-tenuretype>

²⁸ Nest n(25)

What steps the Welsh Government should take to ensure that new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future.

The Bevan Foundation has limited experience in terms of the technical requirements homes should be built to, to ensure energy efficiency to prevent causing fuel poverty. We believe it is important that in deciding on these steps that the Welsh Government should be aware that ensuring better efficiency is only part of the answer. It therefore needs to ensure that it also takes steps to tackle the other causes of fuel poverty when building new homes.